

State of Illinois Flexible Spending Account Reference Guide

Paying for health care is now easier and less expensive with a Flexible Spending Account (FSA) from ConnectYourCare.

What is a Flexible Spending Account (FSA)?

A Flexible Spending Account is a tax-advantaged account that allows you to use pre-tax dollars to pay for out-of-pocket eligible medical care (MCAP) or dependent care (DCAP) expenses. You choose how much money you want to contribute to an FSA at the beginning of each plan year and can access these funds throughout the year. This contribution is subject to certain legal limits.

When enrolling in an FSA, employees designate the amount they wish to have deducted from each paycheck. The designated amount is deposited into the employee's MCAP and/or DCAP account before any state, federal or social security taxes are withheld, resulting in reduced taxes and greater disposable income.

Participation Eligibility

In order to be eligible to participate in an FSA, employees must:

- work full-time or part-time not less than 50%;
- be eligible to participate in one of the State's health plans; and
- be receiving a paycheck from which deductions can be taken.

In addition to the eligibility requirements that apply to all FSA enrollments (indicated above), a DCAP participant and their spouse must be unavailable to care for the qualifying individual (child or adult). Therefore, the following eligibility rule also applies to all DCAP enrollments.

The employee's spouse must be either

- (1) gainfully employed;
- (2) a full-time student;
- (3) disabled and incapable of self-care; or
- (4) seeking employment and have income for the year.

Temporary, intermittent and contractual employees, as well as retirees, are not eligible to participate in the FSA Program.

FSA Rules & Regulations

- The IRS requires that all FSA purchases be verified as eligible expenses. Sometimes, purchases are automatically verified when you use your card. Other times, we will request itemized receipts or an Explanation of Benefits. **Always save your itemized receipts!**
- **Your unused MCAP funds roll over.** Unused MCAP funds – up to \$500 – will automatically roll over to the next plan year after the September 30 run-out period ends. Even if you do not make an election for the next plan year's MCAP, eligible employees are still able to use carried over funds after September 30.
- **MCAP contributions are limited by the IRS to \$2,550** for FY16. The limit is per person; a husband and wife may each contribute up to the \$2,550 limit.
- The IRS also requires that employers make the full annual MCAP election available to employees when an eligible expense occurs, regardless of whether you have deposited enough to cover the full amount at that point in time.

For example, you may designate \$1,200 per year, equal to a payroll deduction of \$100 a month. You are eligible for reimbursement up to the full \$1,200 in the first month, even though you have only deposited \$100 in your account. Remaining deductions will be taken from your pay during the rest of the plan year.

Additionally, only the expenses of eligible dependents may be reimbursed. Dependents must qualify under the Internal Revenue Code in order to be eligible.

Medical Care Assistance Plan (MCAP)

- **Multiple uses.** There are hundreds of eligible expenses for your MCAP funds, including prescriptions, some over-the-counter items, doctor office copays, health insurance deductibles and coinsurance. MCAP funds may be used for eligible expenses for your spouse or federal tax dependents. See the list of Eligible Expenses pages in this guide for more details.
- **Easy to access.** Funds in the account are easily accessed with the payment card. Your account balance is available at any time online or over the phone
- **Tax advantages.** Since your contributions are not taxed, you can reduce your taxable income by the amount you contribute to your MCAP. You can then use those pretax dollars to pay for eligible healthcare expenses that would have otherwise been paid with after-tax dollars.
- **Rapid reimbursements.** Paying for healthcare expenses is easy when you use your payment card. If you do not use your card, you can quickly and easily create your claim online. Once you submit your receipts, we will reimburse you via check or direct deposit.

Learn more about FSAs!

www.connectyourcare.com/fsavideo



NEW! Unused health MCAP funds – up to \$500 – automatically rollover to the next plan year.

The IRS recently announced that employers may allow a rollover up to \$500 of unused health FSA funds (MCAP funds) to the next plan year for employees to use on eligible expenses.

We are happy to bring you this new rollover feature as just another way we make it easier for you to get the most out of your account.

How it Works: Any MCAP funds you are unable to use by the end of the plan year – up to \$500 – will automatically roll over to the next plan year after the September 30 run-out period ends. Even if you do not make an election for the next plan year's MCAP, eligible employees are still able to use carried over funds after September 30.

Contribution Limits: Carried over amounts do not count toward your contribution limit for the following plan year. In other words, you may still contribute up to \$2,550 a year whether or not you have a carry-over from the previous year.

Dependent Care Assistance Plan (DCAP)

You may also choose to enroll in the Dependent Care Assistance Plan (DCAP), which is an alternative to the Dependent Care Tax Credit and covers dependent and certain elder care expenses while you are at work (special requirements apply). If you work and have children, a disabled spouse, or qualifying dependent parents, you know how important it is to have reliable and affordable care for them while you are at work.

A DCAP account allows you to pay for child and elder care expenses and get a tax break at the same time. Expenses must be for qualifying dependents. See IRS Publication 503 Child and Dependent Care Expenses. Typical expenses under this account include charges for day care, nursery school, and certain elder care (unless it is for medical care) for your legal dependents. See the list of Eligible Expenses on page 10 for more details.

Eligibility Requirements

To be reimbursed through your DCAP Account for child and dependent care expenses, you must meet the following conditions:

- You must have incurred the expenses in order for you and your spouse, if married, to work or look for work, unless your spouse was either a full-time student or was physically or mentally incapable of self-care.
- You cannot have made the care payments to someone you can claim as your dependent on your federal tax return or to your child who is under age 19.
- Your filing status must be single, qualifying widow(er) with a dependent child, married filing jointly, or married filing separately.
- You and your spouse must maintain a home that you live in for more than half the year with the qualifying child or dependent.
- Only the custodial parent of divorced or legally-separated parents can participate in DCAP. The custodial parent is defined by the IRS as the person who has the child for most nights during the calendar year. See IRS Publication 503 for more information.



Dependent Care Account Rules and Regulations

- Unlike the MCAP account, you must use all of your DCAP funds by the end of your plan year, or remaining funds will be forfeited, according to IRS regulations.

The FSA calculator in this guide helps you estimate your dependent care expenses, so that you contribute the right amount.

- According to the IRS, you may contribute up to \$5,000 per year if you are married and filing a joint return, or if you are a single parent. If you are married and filing separately, you may contribute up to \$2,500 per year per parent.
- Unlike the MCAP account, you may only receive reimbursement from your DCAP account equal to the amount you have actually deposited.

Using Your Flexible Spending Account

We make it easy to access and use your account funds. There are two ways to pay for health care.

1. **Use Your Payment Card:** This is the simplest way to purchase health care! Pay using your payment card and keep your itemized receipt (showing service description, patient name, service date, provider name, and amount charged) or Explanation of Benefits (EOB) from the insurance vendor as documentation, since you may be required to substantiate the expense. Then, log on to your online account or CYC Mobile app to see if documentation is needed. If so, use the convenient CYC Mobile app to snap a picture of your documentation, use the website to scan a picture of your documentation, or print the claim submission form and submit your documentation via fax or mail. **Note:** Only services rendered during the current plan year should be charged to the healthcare payment card.
2. **Pay with Personal Funds and Request Reimbursement:** Pay using your own personal credit card, cash, or check and keep your itemized receipt as documentation. Then, log on to your online account or CYC Mobile app to file for reimbursement and upload documentation. Use the convenient CYC Mobile app to snap a picture of your documentation and use the website to scan a picture of your documentation, or print the claim submission form and submit your documentation via fax or mail. You can receive reimbursement funds via check or direct deposit.



Tip: Set up direct deposit online to receive quicker reimbursements.

How to Pay at...

- **The Doctor, Dentist, Eye Doctor, or Hospital.** When you pay for health care at the doctor, dentist, eye doctor, or hospital, be sure to always present your health insurance ID card first to ensure proper processing of your charges.

Copays. If you are asked to pay a copay, you may pay with your payment card, or you may pay using personal funds and request reimbursement. State of Illinois copays and deductibles are automatically adjudicated when you use the payment card, limiting the need for you to submit documentation, but it is always a good idea to save your itemized receipt and EOB as documentation.

Additional Charges. If you're asked to pay additional charges, if possible, do not pay your provider until the claim is processed by your health plan and you receive your Explanation of Benefits (EOB) in the mail. This helps avoid overpayment. Compare your EOB with the provider bill to verify the amount being charged by your provider is the same as the patient balance on the EOB. Then, pay using your payment card, or pay using personal funds and request reimbursement and submit your EOB or itemized provider bill as documentation online, using the mobile app, fax or postal mail.

- **Dependent Day Care Locations.** If you have a DCAP account you will need to pay for your qualified dependent day care expenses using personal funds and request the reimbursement from your DCAP account. You will need to submit your itemized receipt as documentation. Remember, whether submitting a receipt or a DCAP Claim Form, documentation must include the dependent's name, provider name, service period, payment amount, and the type of care being provided (i.e. daycare, pre-school, before and after school care).

Using Your Payment Card

We provide a convenient payment card to access account funds. You will receive this card in the mail.

Below are four tips to make using your payment card simple and easy.

1. **Pay for Qualified Expenses with Your Card.** Pay for qualified products and services directly at approved merchants (see sidebar). The money comes right out of your health care account. Provide your card to a qualified merchant or provider, and they will swipe your card like any other credit or debit card to pay for your purchase. If asked, select "credit," to use it without a personal identification number (PIN), or "debit" to use a PIN. There is a preset PIN associated with your card, which is the last 4 digits of your card number. To select a different PIN, call 888.999.0121.
2. **Get Your Balance.** By frequently checking your account balance online or on the mobile app, you will have a good idea of the amount of funds available in your account. When you swipe your payment card, the system ensures your MCAP account is active and has sufficient funds in your account for the full amount. If not, the transaction will be denied. You can swipe the card for the amount left in your account and pay the difference with another form of payment.
3. **Know What's Eligible.** Familiarize yourself with what expenses are eligible using the list of eligible expenses in this guide, your online account, or your employer's plan documents. Examples of eligible expenses are doctors' visits, prescription drugs and many over-the-counter medications (with a prescription). If you use the card for ineligible expenses, you may be asked to write a personal check to refund the plan.
4. **Save Your Itemized Receipts.** Although your payment card eliminates the need to file paper claims, the IRS requires that your charges be verified. Always save your itemized receipts in case they are required to confirm a purchase or for tax purposes.



Use Your Card at Approved Merchants

Your card has been programmed to work only at merchant locations that are designated as health care merchants based on their Merchant Category Code (MCC).

Examples of qualified merchants include doctor's offices and hospitals. The card should only be used to pay for eligible medical expenses, and you should always save your receipts showing the member responsibility after insurance has paid or an insurance Explanation of Benefits (EOB).

You will not be able to use your payment card at locations that are not approved health care merchants. Visit www.connectyourcare.com/stores for a list of approved merchants.

For qualified purchases at locations that are not approved health care merchants, you can pay with other means, then submit a request for reimbursement through your online account.

Using Your Account

Online Account Features

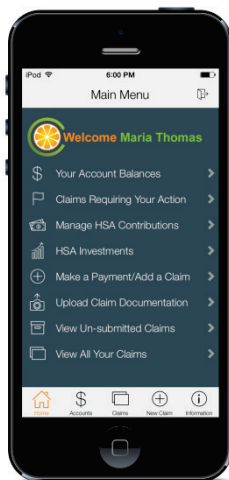
Our online participant portal puts account information and health education tools at your fingertips.

- Get account balance
- View payment card charges
- Enter a request for reimbursement
- View reimbursement requests
- Read important messages
- View reimbursement schedule
- Use helpful tools
- Find answers to frequently asked questions

Mobile App

We offer a secure, interactive mobile application for Android, iOS and Windows devices.

- View account balance, account alerts and transaction history
- View all claims, claims requiring action, and claims details
- Submit a new claim
- Receive important account alerts
- Tap to call Customer Service
- Upload claim documentation – quick and easy way to submit receipts using your device's camera.



Learn more about CYC Mobile!
Connectyourcare.com/mobilevideo

Mobile Alerts and Two-Way Texting

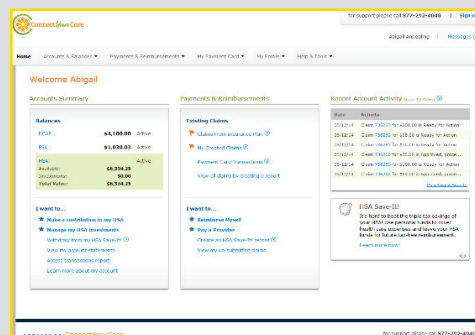
Our Mobile Alerts feature lets you access account information at any time using text messaging. Simply opt into the service online. You may also opt into a text alert service that lets you know immediately after you use your payment card if that purchase requires additional documentation. This way, you always know when to save your itemized receipts.

Mobile Browser

We also offer a streamlined version of your online account that allows you to access your most important account information including account balances, transaction history, claim summaries, claim details and FAQs, all on your smartphone without having to download our mobile app.

Where to Begin

- Go to www.connectyourcare.com.
- Select the log in link from the upper right hand corner.
- Sign in with your user name and password.
- If it is your first time visiting the site, choose New User Registration to select your name and password.



Enter a New Claim

If you pay for an expense using personal funds (not your payment card), you will need to enter a claim for reimbursement. Entering a new claim is easy.

- Log into your online account or mobile app.
- Click to add a new request for payment or reimbursement.
- Enter the required information about your expense.
- Follow the instructions to submit your documentation via upload, fax, or postal mail.

Flexible Spending Account Calculator

While there's no such thing as free money, an FSA can help your money go a lot further. Use this worksheet to see how much you can save.

Step 1: Estimate Health Care Expenses

Your MCAP can cover medical, dental, or vision expenses that you would otherwise pay using personal funds. Enter the annual amounts you spend on each expense to see how much you should contribute.

Office visit copays	
Chiropractic services	
Psychiatric services	
Medical supplies and equipment	
Laboratory or x-ray charges	
Surgical or outpatient procedures	
Hospitalization expenses	
Prescription drugs	
Eligible over-the-counter items	
Other medical expenses	
Dental deductible	
Dental preventative visits	
Orthodontia expenses	
Other dental expenses	
Vision exam	
Glasses, contact lenses, supplies	
Other vision expenses	
Other health care expenses	
Annual MCAP Election*	

**Not to exceed IRS limits.*

Try our online calculators!

www.connectyourcare.com/eecalculators

Step 2: Estimate Dependent Care Expenses

A Dependent Care Account can cover costs for the care of your eligible dependents while you work. Enter the amounts you spend on each expense to see how much you should contribute to your Dependent Care Account.

Day care center	
Au pair or in home care	
Nursery school	
Before school care	
After school care	
Elder care (if qualifying)	
Other dependent care expenses	
Annual Dependent Care Election*	

Step 3: Calculate Tax Savings

Enter your total election amount and multiply it by your tax rate to estimate your tax savings.

Annual Elections (MCAP+ Dependent Care)	
x Tax Rate (from table below)	
= Annual Tax Savings (Annual Elections x Tax Rate)	

Tax Rate Table	
Annual Household Income	Estimated Tax Rate**
less than \$30,000	25%
\$30,000 - \$39,999	29%
\$40,000 - \$69,999	31%
\$70,000 or greater	33%
<i>**Tax rates are estimated based on a combination of social security, federal, and state income taxes using national averages and may not reflect your actual tax rate.</i>	

Eligible MCAP Expense Examples

There are hundreds of eligible expenses for your MCAP funds, including prescriptions, some over-the-counter items, health insurance deductibles, and coinsurance. MCAP funds may even be used for eligible expenses for your spouse or tax dependents.

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Automobile modifications for a physically handicapped person
- Birth control pills
- Blood pressure monitoring device
- Braille books & magazines (above the cost of regular printed material)
- Chiropractic care
- Contact lenses & related materials
- Crutches
- Dental treatment

- Dentures
- Diagnostic services
- Drug addiction treatment
- Eye examination
- Eye glasses & related materials
- Fertility treatment
- Flu shot
- Guide dog or other animal aide
- Hearing aids
- Hospital services
- Immunization
- Insulin
- Laboratory fees
- Laser eye surgery
- Medical testing device
- Nursing services

- Obstetrical expenses
- Organ transplant
- Orthodontia (not for cosmetic reasons)
- Oxygen
- Physical exam
- Physical therapy
- Prescription drugs
- Psychiatric care
- Smoking cessation program
- Surgery
- Transportation for medical care
- Weight loss program necessary to treat a specific medical condition
- Wheelchair

IMPORTANT: Only eligible medical expenses NOT covered under any other health, dental or vision plan are eligible to be paid or reimbursed from your MCAP.



Ineligible Expense Examples

These items are never eligible for tax-free purchase with MCAP funds.

- Cobra premiums
- Concierge service fees (billed for future services; no treatment actually provided)
- Cosmetic surgery
- Exercise equipment
- Fitness programs
- Hair transplants
- Household help
- Illegal operations and treatments
- Insurance premiums
- Long-term care premiums
- Maternity clothes
- Retiree medical insurance premiums
- Teeth whitening

Eligible Over-the-Counter MCAP Expense Examples

Many over-the-counter (OTC) items are eligible for purchase with your account funds.

Eligible without a Prescription – Insulin, testing, and other non-medicinal health items are available without a prescription, letter of medical necessity, or doctor’s directive.

Examples include:

- Band aids
- Birth control devices
- Braces & supports
- Catheters
- Contact lens supplies & solutions
- Denture adhesives
- Diagnostic tests & monitors
- First aid supplies
- Insulin & diabetic supplies
- Ostomy products
- Reading glasses
- Sunscreen & sun block (SPF 15+, broad spectrum)
- Wheelchairs, walkers, canes

Dual Purpose Items – Items that can be used for a medical purpose or for general health and well-being are considered “dual purpose” and are eligible only with a prescription, doctor’s directive or letter of medical necessity. Examples include:

- Dietary and weight loss supplements
- Fiber supplements
- Orthopedic shoes and inserts
- Snoring cessation aids
- Vitamins and herbal supplements

Eligible with a Prescription* – OTC items that contain a drug or medication require a prescription in order to be reimbursed.

Examples include:

- Acid controllers
- Allergy & sinus medicine
- Antibiotics
- Anti-diarrheals
- Anti-gas products
- Anti-itch & insect bite
- Anti-parasitic treatments
- Baby rash ointments/creams
- Cold sore remedies
- Cough, cold & flu treatments
- Digestive aids
- Feminine anti-fungal/anti-itch
- Hemorrhoidal preps
- Laxatives
- Motion sickness
- Pain relievers
- Respiratory treatments
- Sleep aids & sedatives
- Stomach remedies

Expenses that are NOT Eligible – OTC items merely beneficial to general health or for cosmetic reasons are not eligible. Examples include:

- Cosmetics
- Denture supplies
- Deodorant
- Moisturizers and wrinkle creams
- Toothpaste, toothbrushes and mouthwash
- Tooth whitening products

*A “prescription” means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state.

Eligible Dependent Care Account Expense Examples

Dependent Care Account funds cover care costs for your eligible dependents to enable you to work.

- Before school or after school care (other than tuition)
- Qualifying custodial care for dependent adults
- Licensed day care centers
- Nursery schools or pre-schools
- Placement fees for a dependent care provider, such as an au pair
- Child care at a day camp, nursery school, or by a private sitter
- Late pick-up fees
- Summer or holiday day camps

Ineligible Dependent Care Account Expense Examples

These items are not eligible for tax-free purchase with Dependent Care Account funds.

- Expenses for non-disabled children 13 and older
- Educational expenses including kindergarten or private school tuition fees
- Amounts paid for food, clothing, sports lessons, field trips, and entertainment
- Overnight camp expenses
- Registration fees
- Transportation expenses
- Late payment fees
- Payment for services not yet provided (payment in advance)
- Medical care



**Dependent Care Accounts
reimburse for dependent care
expenses incurred during
working hours.**

Frequently Asked Questions

How much can I contribute to my accounts?

For FY16, the IRS limits MCAP contributions to \$2,550 each year. The limit is per person; a husband and wife may each contribute up to the \$2,550 limit. The limit may be increased periodically by the IRS.

The IRS limits DCAP contributions to \$5,000 per year if you are married and filing a joint return, or if you are a single parent. If you are married and filing separately, you may contribute up to \$2,500 per year per parent.

How can I find out my account balance and review transactions?

- Visit www.connectyourcare.com to log into your online account. If it is your first time visiting the site, click on the “Register” button to select your user name and password.
- Use the mobile app, CYC Mobile.
- Customer Service is available 24 hours a day, seven days a week at 1-888/469-3363.

How will I be able to access my MCAP funds?

You will receive a payment card to access your MCAP funds. You can also pay for eligible expenses with any other form of payment and request a withdrawal from your account.

When can I request reimbursement from my FSA?

You will have access to the funds in your account on the first day of your plan effective date.

How will I receive my reimbursements?

You are eligible to receive funds by check or direct deposit. For quicker reimbursements, sign up for direct deposit in your online account at www.connectyourcare.com.

How much can I roll over to the next fiscal year for my MCAP account?

You can roll over up to \$500 to the next fiscal year and still be able to enroll up to the maximum withholding of \$2550 for FY16. The rollover amount will be added to your FY16 election on October 1.

Can I use my MCAP card for FY15 expenses after June 30?

No, only FY16 amounts are available on the health care card during July, August and September of 2015. You may submit manual receipts during July, August and September 2015, for eligible FY15 expenses incurred from July 1, 2014 through June 30, 2015.

Will my MCAP payment card work for FY16 if I do not re-enroll, but have money left over from FY15?

The payment card will not work if you do not re-enroll for FY16. You will only be able to submit manual claims, meaning you must pay using personal funds and request reimbursement.

What happens if I have \$700 in my FY15 MCAP on June 30?

You may turn in FY15 receipts during the run-out period of July 1 through September 30, 2015. After September 30, up to \$500 of the FY15 money left will be rolled over and the card will be funded with this amount on October 1, 2015. Any remaining amounts over \$500 will be forfeited.

What happens if I use my account for a non-eligible expense?

If you file a manual request for reimbursement, the request will be denied. If you used your payment card and the expense is deemed ineligible, you will be required to reimburse your account for that transaction.

How will I know if I need to submit an itemized receipt?

You can review if your claim requires receipts online by logging into your account. You need to submit receipts if you see a notice. If a receipt or EOB is needed, you will also be notified by email or letter within a week of your payment card swipe. You should always save your receipts and EOBs even if you have not received such a notice.

What if I don't submit an itemized receipt?

You must provide an itemized receipt or EOB within the time requested, or the transaction will be deemed ineligible and you will be required to repay your account. If you fail to submit required documentation within 60 days, your payment card will be suspended. The card will remain suspended until the money is paid back or until a manual claim is submitted for reimbursement that will substitute for those funds owed to CYC.

Where can I use my MCAP payment card?

Your payment card can be used nationwide at qualified merchants, including pharmacies, doctors' offices, vision centers, and hospitals. Visit www.connectyourcare.com/stores for a list of approved merchants. Your card should only be used to pay for medical expenses eligible under your plan, and you should always save your receipts and EOBs.

Do I need to keep my receipts when I use my MCAP card?

YES! We may request documentation any time you use your payment card, so always hold on to your itemized receipts or your Explanation of Benefits (EOB). Receipts must contain the date of service, name and address of service provider, description of the service provided, amount charged, and name of person receiving the service. *Non-itemized cash register tapes, credit card receipts and cancelled checks alone do not provide proper substantiation.*

This guide does not constitute tax advice. For more assistance, please contact your tax advisor. You can also find more information in IRS Publication 969 at <http://www.irs.gov/pub/irs-pdf/p969.pdf>. Please keep in mind that your state might have different tax rules. Always refer to your state's tax guidance regarding FSA taxation.